DIRECT TESTIMONY

OF

JAMES ZOLNIEREK

POLICY DEPARTMENT

TELECOMMUNICATIONS DIVISION

ILLINOIS COMMERCE COMMISSION

ILLINOIS BELL TELEPHONE COMPANY

FILING TO INCREASES UNBUNDLED LOOP AND NONRECURRING RATES

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Q. Please state your name and business address.

A. My name is James Zolnierek and my business address is 527 East Capitol Avenue, Springfield, Illinois 62701.

Q. By whom are you employed and in what capacity?

A. I am employed by the Illinois Commerce Commission ("Commission" or "ICC") as the Policy Manager in the Telecommunications Division.

Q. Please state your education background and previous job responsibilities.

A. I earned my Bachelors of Science degree in mathematics from Michigan State University in 1990. I also earned from Michigan State University both a Master of Arts degree in economics in 1993 and a Doctor of Philosophy degree in economics in 1996.

I have been a Visiting Professor of Economics in the Department of Economics at both the University of Nebraska and Arizona State University. Prior to joining the Illinois Commerce Commission I was employed by the Federal Communications Commission ("FCC") in the Common Carrier Bureau, Industry Analysis Division.

OVERVIEW

Q. What is the purpose of your testimony?

A. My testimony is comprised of two sections. In the first section I will address certain non-recurring cost estimates submitted by SBC Illinois ("Company") in this proceeding. In particular, I will address the Company's Stand Alone Unbundled Network Element ("UNE") loop, Unbundled Network Element Platform ("UNE-P"), and Enhanced Extended Link ("EEL") physical provisioning activity non-recurring cost estimates. In the second section I will address certain recurring cost estimates submitted by the Company in this proceeding. In particular, I will address the residential premises termination component of the Company's recurring loop cost estimates.

Q. What is the relationship between your testimony and the testimony of other Staff witnesses concerning recurring and non-recurring costs?

A. My analysis of the Company's non-recurring cost studies focuses on physical provisioning activities necessary to ensure that existing UNEs are physically connected to CLEC customer premises, to central office equipment, and, in the case of UNE combinations to each other. I am not the only Staff witness that will address physical provisioning costs. Other Staff witnesses address and propose changes that also impact Stand Alone Unbundled Network Element ("UNE") loop, Unbundled Network Element Platform ("UNE-P"), and Enhanced Extended Link ("EEL")

physical provisioning activity non-recurring cost estimates.[1] For example, Staff witness Mark Hanson (ICC Staff Ex. 6.0) proposes changes that reduce the wage estimates of the workers that perform the physical provisioning activities I examine. The non-recurring cost adjustments I and other Staff Witnesses propose will be incorporated into the cost estimates presented in the testimony of Mr. Hanson.

My analysis of the Company's recurring cost studies focuses on the residential premises termination component of the Company's recurring loop cost estimates, and in particular how the Company treats multiunit residential dwellings. Other Staff witnesses propose changes that also impact the residential premises termination component of the Company's recurring loop cost estimates.[2] For example, Staff witness Peter Wagner (ICC Staff Ex. 13.0) proposes changes that will affect the depreciation lives of premises termination equipment. The recurring loop cost adjustments I and other Staff Witnesses propose will be incorporated into the cost estimates presented in the testimony of Staff witness Peter Lazare (ICC Staff Ex. 3.0).

[1] Staff witnesses Hanson (ICC Staff Ex. 6.0) and Michael McNally (Staff Ex. 12.0) will also address and propose changes that will impact Stand Alone Unbundled Network Element ("UNE") loop, Unbundled Network Element Platform ("UNE-P"), and Enhanced Extended Link ("EEL") physical provisioning activity non-recurring cost estimates.

[2] Staff witnesses Peter Lazare (ICC Staff Ex. 3.0), Robert Koch (ICC Staff Ex. 4.0), Qin Liu (ICC Staff Ex. 5.0), McNally (Staff Ex. 12.0) and Wagner (ICC Staff Ex. 13.0) will also address and propose changes that will impact the residential premises termination component of the Company's recurring loop cost estimates.

Findings and Recommendations

Q. Please summarize your findings and recommendations in this proceeding.

A. My findings and recommendations are as follows:

TELRIC Compliance: According to FCC rules, the Company bears the burden to prove that it has modeled an efficient network configuration as required by 47 C.F.R. § 51.505(b)(1). The Company has not met this burden. In fact, the evidence provided to this point by the Company demonstrates that the Company's cost studies used to determine rates for Non-Recurring Charges ("NRCs") were not developed in accordance with 47 C.F.R. § 51.505(b)(1). The Commission could, as explained by Staff Witness Hoagg,[3] reject the Company's current NRC cost studies.

I will, however, propose revisions to the Company's NRC cost studies in the event the Commission decides to accept them. The Commission should, however, be aware that even if it accepts the corrections proposed by Staff in place of the studies used by the Company, these Staff remedies are likely only to bring the Company's cost studies closer to compliance with 47 C.F.R. § 51.505(b)(1). In such a case, the Company's NRC cost studies will likely continue to fail to fully comply with 47 C.F.R. § 51.505(b)(1) and past Commission rulings regarding proper TELRIC

methodology and the Company will definitely not have met its burden of proof with respect to compliance with FCC rules.

Nonrecurring Special Access to UNE Conversion Cost Study: The Company does not provide credible support for its existing proposed Design & Coordination or Demarcation Re-tag cost estimates. If the Company does not provide credible support for its cost estimates or provide supportable revised estimates, the Company should not be allowed to include the special access to UNE combination conversion Design & Coordination or Demarcation Re-tag costs or any costs based on the activities supporting the Design & Coordination & Demarcation Re-tag in its TELRIC cost estimates.

Nonrecurring New EEL Combination Cost Study: The Company has not demonstrated that the activities listed in support of its New EEL Combination Cost Study are necessary assuming, as the FCC requires, the lowest cost network configuration and most efficient telecommunications technology available. The evidence in this proceeding suggests that in a number of cases provisioning of service may be performed more efficiently than is assumed in the Company's Nonrecurring New EEL Combination Cost Study. The Company has also made unsupported assumptions regarding location lives that yield

[3] Staff Ex. 1.0.

unsupported increases in its cost estimates. Based on this evidence, I make the following recommendations.

With respect to Loop Connection cost estimates, if the Company cannot provide credible support for the differences between its proposed EEL Combination Loop Connection cost estimates and its Stand Alone Loop Connection cost estimates or provide supportable revised estimates, I recommend that the Commission require the Company to use the Stand Alone Loop Connection cost estimate approved by the Commission in this proceeding as the estimate of the EEL Combination Loop Connection cost.

With respect to Dedicated Transport cost estimates, if the Company cannot provide credible support for the differences between the activities performed by SSC group when provisioning DS1 Dedicated Transport Non-Collocated and when provisioning Stand Alone DS1 loops, I recommend the Commission require the Company to calculate DS1 Dedicated Transport Non-Collocated cost estimates assuming the activities performed by SSC when provisioning DS1 Dedicated Transport Non-Collocated are identical to those performed by SSC when provisioning Stand Alone DS1 loops.

Furthermore, if the Company cannot provide credible support for its 2-year location life assumption or provide a credibly supported revised location life applicable to its EEL Dedicated Transport offerings, I recommend that the Commission require that the Company exclude disconnect costs in the development of its EEL Dedicated Transport cost estimates.

With respect to the Central Office Multiplexing – DS1 to Voice cost estimate, the costs associated with this function appear to be already included with the estimated costs of DS1 Interoffice Dedicated Transport. If the Company cannot provide credible support to indicate that these estimated costs are not entirely duplicative and cannot revise its estimates to appropriately capture costs associated with any non-duplicative activities, I recommend that the Commission require the Company to exclude the separate cost estimate for Central Office Multiplexing – DS1 to Voice from its Nonrecurring New EEL Combination cost study.

With respect to the Clear Channel Capability cost estimates, if the Company cannot provide credible support to indicate that the timing of the ***XXXXXXXXXXXX*** used for purposes of computation of Clear Channel Capability cost estimates differs from the timing of the ***XXXXXXXXXX*** used for purposes of computation of the 4-Wire Digital Loop Connection cost estimates, I recommend that the Commission require the Company to reduce its ***XXXXXXXXXXXXX***

activity time estimate to ***XXXXXXXXXXXXXXX*** when calculating Clear Channel Capability cost estimates.

Nonrecurring Unbundled Loop Cost Study: The Company has not provided credible support for its assumptions regarding location lives. Based on this evidence I make the following recommendations.

With respect to POTS, DS1 and DS3 Stand Alone Line Connection cost estimates and POTS and DS1 UNE-P Line Connection cost estimates, if the Company cannot provide credible support for its 2 year location life assumption or provide a credibly supported revised location life estimate, I recommend that the Commission require the Company to calculate the location life for each loop type based upon the average location life of the Company's comparable end-user offerings.

Additionally, if the Company cannot provide credible support for its work group occurrence factors, I recommend that the Commission require the Company to use occurrence factors when computing POTS UNE-P disconnect cost estimates that equal ((1 - the DIP rate adopted in this proceeding) multiplied by 0.086).

Nonrecurring Unbundled Local Switching – Ports Study: The Company has not provided credible support for its assumptions regarding location lives. Based on this evidence I make the following recommendations.

With respect to Non-recurring Line and Trunk Port cost estimates, if the Company cannot provide credible support for its 2 year location life assumption or provide a credibly supported revised location life estimate, I recommend that the Commission require the Company to calculate the location life for each loop type based upon the average location life of the Company's comparable end-user offerings.

Nonrecurring Unbundled Port Features Study: The Company has not demonstrated that unbundled port features disconnect activities are necessary given port disconnect activities estimated elsewhere in the Company's filing. Furthermore, based on the Company's port connection cost estimates, feature add/change translation activities do not reflect least cost provisioning of port features.

Unless the Company can provide evidence that demonstrates that the disconnect activities are necessary the Commission should reject the Company's inclusion of disconnect activity costs in its Port Feature Add/Change Translation cost estimates. Furthermore, unless the Company can demonstrate that the provisioning activities necessary to

add/change a port feature exceed the provisioning activities necessary to provision a New UNE-P port the Commission should require the Company to replace the single Port Feature Add/Change Translation cost estimate (which includes costs for both initial and additional adds/changes) with the Line/Trunk Port cost estimate for new combination orders.

Recurring Loop Premises Termination Cost Study: The Company has failed to account for multi-dwelling units when developing its recurring loop premises termination cost estimates. If the Company cannot provide credible support for its premises termination estimates or cannot adjust these estimates to properly reflect the lowest cost network configuration and most efficient telecommunications technology, I recommend that the residential and business percentages input into the LoopCAT model be revised. I recommend that Percent Residential Premises Termination be set equal to ***XXXX*** and Percent Business Premises Termination be set equal to ***XXXXX***.

NON-RECURRING PROVISIONING COSTS

Q. What specific non-recurring cost estimates will you address in testimony?

A. I will discuss non-recurring physical provisioning costs for Stand Alone Loops, UNE-Ps, and EELs. These cost estimates are addressed and

supported by SBC Illinois Witnesses Silver, Cass, Barch, and Gomez-McKeon.[4]

TELRIC Compliance

Q. Please explain how the Company developed its cost study for these non-recurring cost estimates.

A. SBC Illinois Witness Cass states:

> All of the non-recurring cost studies presented in the case were developed in accordance with the procedure and methods described in Schedule CFC-4.[5]

CFC-4, which is entitled "Non-Recurring Cost Studies, Study Description and Case Studies, Version 1.2, November 5, 2002" and which will be referred to hereafter as the "Company NRC Manual", indicates:

> ***XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXX:
>
> > XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXXX[6]***

The Company NRC Manual further indicates that "[i]n developing activity times, they [subject matter experts, or SMEs] are to take into consideration labor-saving tools currently available to employees or

[4] SBC Illinois Exhibits 3.0, 6.0, 7.0, and 9.0, respectively.
[5] SBC Illinois Ex. 6.0 at 7-8.
[6] SBC Illinois Ex. 6.0, Schedule CFC-4 at 13. Emphasis added.

planned for deployment" and that employees should "not speculate."[7] As SBC Illinois Witness Barch states:

> Though future efficiencies are incorporated, speculation is minimized by confining future efficiencies to what is known, budgeted, planned and/or quantifiable. Such comprehensive instruction is clearly labeled in documentation for SBC Illinois' nonrecurring cost studies (e.g., Tab 8.x within studies).[8]

Thus, the guidelines employed by the Company in developing non-recurring costs specifically direct SMEs not to speculate about activity times associated with currently available efficient telecommunications technology or least cost network configurations.

Q. Do the FCC rules prescribe the efficient network configuration that must be used to develop TELRIC estimates?

A. Yes. The FCC rules state:

> The total element long-run incremental cost of an element should be measured based on the use of the most efficient telecommunications technology currently available and the lowest cost network configuration, given the existing location of the incumbent LEC wire centers.[9]

Q. Does the Company bear the burden to prove that it has modeled an efficient network configuration as required by 47 C.F.R. § 51.505(b)(1)?

A. Yes. The FCC rules state:

> An incumbent LEC must prove to the state commission that the rates for each element it offers do not exceed the

[7] SBC Illinois Ex. 6.0, Schedule CFC-4 at 13-14.
[8] SBC Illinois Ex. 7.0 at 65.
[9] 47 C.F.R. § 51.505(b)(1).

> forward looking economic cost per unit of providing the element, using a cost study that complies with the methodology set forth in this section and § 51.511.[10]

Thus, the Company must, according to the FCC rules, prove that the non-recurring cost estimates it submitted in this proceeding were developed based upon an efficient network configuration as prescribed by, among other FCC rules, the rule in 47 C.F.R. § 51.505(b)(1).

Q. Has SBC Illinois presented credible evidence proving that the non-recurring cost estimates it submitted in this proceeding were developed based upon an efficient network configuration as prescribed by the FCC rules?

A. No. The evidence indicates that the Company has failed to comply with the rules in 47 C.F.R. § 51.505(b)(1) to develop its non-recurring cost studies. The Company's methodology fails to consider all currently available telecommunications technology and does not assume the lowest cost network configuration.

Q. Please explain how the Company's methodology is not based upon the efficient network configuration prescribed by the FCC.

A. The FCC's rules prescribe that the Company must base its estimates on the "lowest cost network configuration and most efficient telecommunications technology available, given the existing location of the

[10] 47 C.F.R. § 51.505(e).

incumbent LEC wire centers." The Company, however, has based its non-recurring cost estimates on its existing network design and on its existing systems.

SBC Illinois Witness Gomez-McKeon states "…the NRC studies are based on data that reflect the most efficient times that *SBC Ameritech Illinois* could reasonably expect to spend provisioning these products in the foreseeable future."[11] However, this statement does not accurately reflect the Company's methodology. The Company NRC studies are based on data that reflect times consistent with the manner in which SBC Illinois has *chosen* to provision products in the foreseeable future. The Company has neither shown that the provisioning methods it has elected to employ are the most efficient the Company could reasonably employ nor that these methods are based on the most efficient telecommunications technology currently available, or least cost network configurations.

The Company's SMEs have followed the direction in the Company NRC Manual and have not considered activity times associated with currently available efficient telecommunications technology or least cost network configurations that the Company does not plan to deploy in Illinois. For example, when questioned about improvements or system enhancements

[11] SBC Illinois Ex. 9.0 at 9. Emphasis added.

that would affect activity time estimates, Terry Burge, the SME responsible for CP&M activity time estimates, states:

> ***XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXX.***[12]

With respect to this same query, David Edens, the SME responsible for FOG activity time estimates, states:

> ***XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXX*** [13]

Jerry Reed, the SME responsible for CPC-HPC activity time estimates, also responds similarly stating:

> ***XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX*** [14]

The Company's Cost Manual directs SBC Illinois SMEs to provide activity time estimates based on SBC Illinois' existing network design and on existing systems and not as FCC rules require on the lowest cost network configuration and most efficient telecommunications technology available. The evidence indicates that SMEs followed this direction and therefore did not consider whether times that SBC Illinois expects to spend provisioning products in the foreseeable future is equal to the most efficient times that SBC Illinois could reasonably expect to spend provisioning products

[12] Response to Joint CLEC's Data Request No. 1.52a, Attachment Burge,Terry Questionaire (CP&M)(CLEC1-52a).doc, attached as Sched. 7.01.
[13] Response to Joint CLEC's Data Request No. 1.52a, Attachment Edens,David Questionaire (FOG)(CLEC1-52a).doc, attached as Sched. 7.01.
[14] Response to Joint CLEC's Data Request No. 1.52a, Attachment Reed,Jerry Questionaire (CPC-HPC)(CLEC1-52a).doc, attached as Sched. 7.01.

assuming, as prescribed by the FCC rules, the use of the most efficient telecommunications technology currently available and the lowest cost network configuration.

Q. Mr. Cass indicates that the workgroup SMEs relied on by the Company to develop its estimates are qualified to provide forward-looking activities, times, and percent occurrences.[15] Please evaluate Mr. Cass' assessment.

A. Whether or not the SMEs are able to provide such estimates is irrelevant. The Company NRC Manual gives improper direction to SMEs regarding development of estimates, because it directs them to base such estimates on SBC's existing network design and on existing systems and not as FCC rules require on the lowest cost network configuration and most efficient telecommunications technology available.

Q. Is there any indication that the times that SBC Illinois expects to spend provisioning products in the foreseeable future is greater than the most efficient times that SBC Illinois could reasonably expect to spend provisioning products assuming, as prescribed by the FCC rules, the use of the most efficient telecommunications technology currently available and the lowest cost network configuration?

A. Yes. The Company's Cost Manual includes the following Q&A:

[15] SBC Illinois Ex. 6.0 at 6.

> ***XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXX
>
> XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXX
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As this passage indicates the Company's non-recurring cost studies and results of those studies vary among the states because the Company ***XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXX*** Even if SBC has not been able to fully implement consistent, best practices for order processing and provisioning, it must, according to the FCC rules, assume best practices for the purposes of its non-recurring cost studies. As the Company's Cost Manual indicates, the Company has not for the purposes of its non-recurring cost studies relied on the least cost systems, methods and procedures currently available. In fact, as the Company Cost Manual indicates, the Company has not, for the purposes of its non-recurring cost studies, even considered the least cost systems, methods and procedures that SBC itself currently uses in its other service territories.

Q. Is the Company's approach consistent with past Commission rulings regarding TELRIC methodology?

A. No. In ICC Docket No. 98-0396 the Commission addressed the Company's NRC study, stating:

> The NRC study submitted falls short of expectations. A number of observations are warranted.
>
> First, rather than base its nonrecurring costs studies upon forward looking, least cost, most efficient network technologies, processes and systems, including Operational Support Systems, or OSSs, Ameritech's studies are based on its *existing* network architecture and processes and incorporate only those technologies and process improvements that Ameritech *actually* plans to deploy in the next three years.[16]

The first deficiency identified by the Commission in its review of the Company's previously submitted NRC cost study is the Company's approach of basing estimates on the Company's existing network architecture and processes and on technologies and process improvements the Company plans to deploy rather than on forward looking, least cost, most efficient network technologies, processes and systems. The NRC cost studies filed by the Company in this proceeding suffer the same deficiencies the Commission identified with respect to the previously filed Company NRC cost studies. The Commission has already ruled on this issue. The Commission, accordingly, could reject the Company's current NRC cost studies for the very same reasons it has previously rejected them.

Q. What are the possible effects of permitting the Company to recover costs based on its *existing* network architecture and processes and only those technologies and process improvements that SBC Illinois *actually* plans to deploy rather than requiring the Company to base its nonrecurring costs studies upon forward looking, least cost, most efficient network technologies, processes and systems as required by the FCC?

A. It can result in cost estimates that exceed the forward-looking costs prescribed by the FCC. This will, at least on the margin, reduce the ability of CLECs to profitably compete using UNEs. Second, it will reduce incentives for the Company to adopt forward looking least cost technology. That is, if the Company is compensated for its actual practices independent of any inefficiency in those processes, it has every incentive to adopt inefficient practices, increase its UNE rates, and, therefore, reduce the ability of CLECs to competitively provide services using UNEs.

Findings and Recommendations

Q. Please summarize your analysis of the TELRIC compliance of the Company's NRC cost studies and your recommendation with respect to this issue.

A. According to FCC rules the Company bears the burden to prove that it has modeled an efficient network configuration as required by 47 C.F.R. §

[16] Commission Order in Docket No. 98-0396 (Oct. 16, 2001), at 39, emphasis from original.

51.505(b)(1). The Company has not met this burden. In fact, the evidence provided to this point by the Company demonstrates that the Company's NRC cost studies were not developed in accordance with 47 C.F.R. § 51.505(b)(1). The Commission could, as explained by Staff Witness Hoagg,[17] reject the Company's current NRC cost studies.

Below, in my examination of specific non-recurring provisioning studies, I will address numerous instances where the Company's approach has led to identifiable overstatements of forward looking costs. However, the Company's flawed development process likely leads to broader overstatements of cost that are not necessarily identifiable from the evidence submitted by the Company. For example, instances where the Company uses more efficient systems, methods and procedures in other Company service territories but where the Company does not base its NRC studies on these Company best practices, will generate overstatements of forward looking TELRIC costs.

The evidence submitted by the Company indicates that the Company has not followed FCC TELRIC rules, and in particular, 47 C.F.R. § 51.505(b)(1). Informational asymmetries do not permit Staff to propose cost study revisions that will remedy every instance in which the Company has failed to comply with 47 C.F.R. § 51.505(b)(1). Nor, as the FCC rules dictate, is this a burden that must be assumed by Staff. Nevertheless, I

[17] Staff Ex. 1.0.

will propose revisions to the Company's NRC cost studies. The Commission should, however, be aware that even if it accepts the corrections I propose, these remedies are likely only to bring the Company's cost studies closer to compliance with 47 C.F.R. § 51.505(b)(1). In such a case the Company's NRC cost studies will likely continue to fail to fully comply with 47 C.F.R. § 51.505(b)(1) and past Commission rulings regarding proper TELRIC methodology and the Company will definitely not have met its burden of proof with respect to compliance with FCC rules.

Nonrecurring Special Access to UNE Conversion Cost Study

Overview

Q. What is a Special Access to UNE Conversion?

A. The Company's Nonrecurring Special Access to UNE Conversion Cost Study states:

> The FCC's Remand Order allows Telecommunications Carriers (TCs)/Competitive Local Exchange Carriers (CLECs) to reconfigure Special Access arrangements to combinations of loop and transport unbundled network element (UNEs), providing they meet certain criteria.[18]

In describing the conversion process in recent comments to the FCC, SBC Communications, Inc., stated:

[18] SBC Illinois Ex. 6.0, Schedule CFC-3, TAB 1.

> By definition, a conversion can occur only if the requesting carrier already is using special access services to provide the services that it seeks to offer; otherwise there would be nothing to convert. … [T]he only effect of a conversion would be to bestow on that carrier a price break – and hence higher profits – for a service that it already is providing.[19]

Thus, a special access to UNE conversion is, by the Company's own admission, little more than a billing change.

Q. Are the activities listed in the Company's Nonrecurring Special Access to UNE Conversion Cost Study consistent with the notion that, from a provisioning standpoint, such conversions are little more than billing changes?

A. Yes. The Company lists two types of provisioning costs for Special Access to UNE Conversions, "Design & Coordination" costs and "Demarcation Re-tag" costs.[20] The information submitted by the Company indicates that none of the activities listed in support of these cost estimates are required to physically provision the loop.

Design & Coordination Costs

[19] Comments of SBC Communications, Inc., In the Matter of Review of the Section 271 Unbundling Obligations of Incumbent Local Exchange Carriers, Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, and Deployment of Wireline Services Offering Advanced Telecommunications Capability, CC Docket Nos. 01-338, 96-98, and 98-147, April 5, 2002, at 105. Qwest similarly has stated, "…it is conceded in the industry that all that is required to convert a special access circuit to a UNE is a billing change." Comments of Qwest Corporation in Response to Public Notice, In the Matter of Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, CC Docket No. 96-98, April 5, 2001 at 8.

[20] SBC Illinois Ex. 6.0, Schedule CFC-3, TAB 3.

Q. What activities do the Company list in support of the "Design and Coordination" cost estimate?

A. The Company lists activities performed by both its High Capacity Provisioning Center (HPC) and it's Special Services Center (SSC). The specific tasks listed for HPC include: ***XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXXX[21]*** The specific tasks listed for SSC include: ***XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX[22]*** The tasks performed by these groups is summarized best by the following passage taken from the flow chart submitted by the Company to describe the conversion process:

> ***XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXX.[23]***

That is, the activities performed by HPC and SSC ensure that no physical work is actually done in the conversion process.

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[21] SBC Illinois Ex. 6.0, Schedule CFC-3, TAB 8.3-HPC.
[22] SBC Illinois Ex. 6.0, Schedule CFC-3, TAB 8.5-SSC.
[23] SBC Illinois Ex. 6.0, Schedule CFC-3, TAB 1.11.

Q. Has the Company demonstrated that these activities are necessary assuming the lowest cost network configuration and most efficient telecommunications technology available as required by the FCC's TELRIC rules?

A. No. The Company has offered no evidence to suggest that these activities are consistent with the use of the most efficient telecommunications technology currently available and the lowest cost network configuration. In support of the Design & Coordination cost estimate, the Company lists activities that its provisioning groups must perform to ensure that no physical work is performed when special access circuits are converted to combinations of UNEs. The Company's current system does not permit a circuit to be moved from one billing database to another without issuance of both a disconnect order and an add order. According to the Company's Nonrecurring Special Access to UNE Conversion Cost Study, the HPC and SSC groups spend on average **XX** minutes working time in the case of an end-user DS1 to DS3 terminating in a collocation arrangement configuration to prevent the disconnect and add orders from being acted upon.

Furthermore, Mr. Cass, the Company witness with respect to special access to UNE combination provisioning cost estimtes, provides no explanation in support of the Company's approach, stating only:

> …the record work only charge is intended to recover only the cost of changing records. It is not properly applicable to UNE-P

> migrations, which involve additional service order work other than simply changing a record, and it is even less applicable to Special Access to UNE Conversions.[24]

The evidence submitted by the Company suggests that the tasks associated with the Design & Coordination cost estimate are those tasks that would be associated with a record change. That is, the circuit being purchased is not being physically changed but is merely being identified as a UNE combination rather than a special access circuit. The Design and Coordination cost estimate, therefore, does not represent the estimated costs of activities performed by the Company's physical provisioning group to physically provision the circuit, but rather represents the estimated costs of activities performed to by the Company's physical provisioning group to ensure that they don't physically provision the circuit. Based on the evidence in this proceeding, it appears that these tasks are designed to overcome an inefficient provisioning system rather than to work in conjunction with the most efficient technology currently available, and that they would not be required absent an inefficient provisioning system.

Q. What adjustment would you recommend the Commission make with respect to the Design & Coordination cost estimate?

A. If the Company cannot provide credible support for its existing proposed Design & Coordination cost estimates or provide supportable revised estimates, I recommend that the Company proposal to include in its

[24] SBC Illinois Ex. 6.0 at 33.

TELRIC cost estimates special access to UNE Design & Coordination costs, or to include costs based on the activities supporting the Company's Design & Coordination cost estimates, be denied.

Demarcation Re-tag Costs

Q. What activities do the Company list in support of the "Demarcation Re-tag" cost estimate?

A. The Company lists activities performed by its Digital Operations Group (DOG). The specific tasks listed for DOG include: XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX[25]***

Q. How does the Company develop its cost estimates for these activities?

A. According to the Company's Nonrecurring Special Access to UNE Conversion Cost Study, DOG spends **XXXX** hours retagging loops, on average, in the case of a end-user DS1 to DS3 terminating in a collocation arrangement configuration. In addressing the reason for this activity Mr. Cass states:

[25] SBC Illinois Ex. 6.0, Schedule CFC-3, TAB 8.4-DOG.

> One of the most important reasons for re-tagging the circuits at the customer premises is to avoid confusion if the customer calls in trouble reports.[26]

He further states that:

> …it is imperative that the circuits IDs at the customer premises are re-tagged to match the IDs in SBC Illinois' operational systems.[27]

Ms. Gomez-McKeon similarly states:

> This change at the field locations is required for elimination of maintenance issues in the future. If this information is not properly changed in the field it could delay the responsiveness of the trouble isolation, and cause the CLEC to have duplicate records of retaining old circuit information and new circuit information.[28]

Q What are the deficiencies in the support provided for these activities?

A. It is not clear that this tagging activity is necessary. My conclusion is based on evidence on this issue provided by Company witnesses themselves.

Q. Are the activities performed by DOG consistent with the activities necessary assuming the lowest cost network configuration and most efficient telecommunications technology available?

A. The support provided by the Company with respect to its Demarcation Re-tag cost estimate does not prove that these activities are necessary assuming the lowest cost network configuration and most efficient

[26] SBC Illinois Ex. 6.0 at 31.
[27] SBC Illinois Ex. 6.0 at 31.
[28] SBC Illinois Ex. 9.0 at 21.

642 telecommunications technology available. Furthermore, the evidence in
643 this proceeding suggests that these activities may not be necessary for
644 the reasons stated by the Company witnesses.
645
646 First, the Company does not actually perform the re-tagging activity at the
647 time of conversion. The Company's Nonrecurring Special Access to UNE
648 Conversion Cost Study indicates that retagging "…will occur on the next
649 scheduled visit…"[29] Thus, if the Company receives a trouble report on the
650 circuit following installation but before any scheduled visit, then the
651 Company does not "avoid confusion" with respect to the visit. Any
652 maintenance and repair savings cited by Mr. Cass or Ms. Gomez-McKeon
653 to justify this activity does not occur with respect to such maintenance and
654 repair visits. The Company may, however, experience maintenance and
655 repair savings on subsequent repair visits. However, there is no
656 information to suggest how frequently or infrequently subsequent visits
657 occur. Nor has the Company provided information that would indicate that
658 the benefits it receives on such subsequent repair visits, if any, exceed the
659 costs of the tagging activities listed by Mr. Cass.
660
661 Furthermore, the Company has failed to demonstrate that lines which are
662 not retagged cause "confusion." The claim of confusion assumes that
663 customers would purchase multiple loops. The evidence, however, does
664 not support this assumption. For example, the Company estimates

indicate that for configuration of end-user DS1s and interoffice DS3s connecting to a collocation cage, ***XXXXXXXXXXXXX*** DS1s in such configurations go to unique locations.[30] In fact, Mr. Cass states:

> The cost studies for the DS1 and DS3 loops assumed that customers would not purchase more than one loop at a time, because these services are much less common and more expensive than the line connection charge, and will typically directly meet the needs of the customer without the need of additional loops.[31]

Thus, the evidence presented by the Company indicates that multiple DS1 terminations at end-user locations are relatively unusual. This suggests that if a technician is servicing a DS1 at an end-user location there will be little confusion as to which DS1 is in need of service or testing as, by the Company's own admission, there is generally only one to select from.

Finally, the Company has not explained why TAG information need change when an existing circuit is converted from a Special Access to a UNE combination. Presumably, the Company can match the existing interoffice and end-office circuit information when the circuit is provided as a special access line. It is unclear why this same information would not suffice to avoid confusion when the special access combination is converted to a UNE combination.

[29] SBC Illinois Ex. 6.0, Schedule CFC-3, TAB 8.4-DOG.
[30] SBC Illinois Ex. 6.0, Schedule CFC-3, TAB 6.2.
[31] SBC Illinois Ex. 6.0 at 23.

Q. Even if the Company is able to demonstrate a need for retagging, does the Company's retagging cost estimate accurately reflect the tasks associated with this activity?

A. No. The Company assumes task and work occurrence factors of 100%, which means that retagging is performed in every case.[32] However, there is reason to believe that, in some cases, the retagging function is never performed. For example, the Company does not actually perform the retagging activity at the time the conversion is completed. Furthermore, even in instances where retagging does occur, there is a lag between the time the circuit is converted and the time retagging is completed. The Company, however, estimates the cost of tagging as though it occurs at the time of conversion. This approach fails to properly determine the present value of the cost of these future activities, nor does it account for expected inflation and/or productivity between the time the circuit is converted and the time the retagging function is performed.

Q. What adjustment should the Commission make with respect to the Demarcation Re-tag cost estimate?

A. If the Company cannot provide credible support for its existing proposed Demarcation Re-tag cost estimate or provide supportable revised estimates, the Company should not be allowed to include in its UNE cost estimates special access to UNE combination conversion Demarcation

[32] SBC Illinois Ex. 6.0, Schedule CFC-3, TAB 6.2.

Re-tag costs or any costs based on the activities supporting the Demarcation Re-tag cost estimates.

Findings and Recommendations

Q. Please summarize your analysis of the Nonrecurring Special Access to UNE Conversion Cost Study and your recommendation with respect to the Company's proposed cost estimates.

A. The Company does not provide credible support for its proposed Design & Coordination or Demarcation Re-tag cost estimates. If the Company does not provide credible support for its proposed cost estimates or provide supportable revised estimates, the Company should not be allowed to include special access to UNE combination conversion Design & Coordination or Demarcation Re-tag costs or any costs based on the activities supporting the Design & Coordination and Demarcation Re-tag cost estimates in its TELRIC cost estimates.

Nonrecurring New EEL Combination Cost Study

Overview

Q. What is a new EEL combination?

A. The Company's New EEL Combination Cost Study describes a new EEL combination as:

> …a new combination of Unbundled Network Elements (UNEs) consisting of certain Unbundled Loops and certain Unbundled Dedicated Transport, combined by SBC, using the appropriate Cross-connects, and where needed, multiplexing.[33]

Q. Please explain how the Company's new EEL provisioning costs are structured.

A. There are four general types of costs included in the Company's Nonrecurring New EEL Combination Cost Study: (1) loop connection costs, (2) dedicated transport costs, (3) multiplexing costs, and (4) clear channel capability costs.

Loop Connection Costs

Q. Please explain the Company's general approach to estimation of Loop Connection costs.

A. There are currently four basic loop types specifically identified in the Company's EEL tariff: 2-Wire Analog Loops, 2-Wire Digital Loops, 4-Wire Analog Loops and 4-Wire Digital Loops.[34] In developing Loop Connection costs for 2-Wire Analog Loops, 2-Wire Digital Loops, and 4-Wire Analog Loops the Company includes, among its list of provisioning activities, the

[33] SBC Illinois Ex. 6.0, Schedule CFC-2, TAB 8.8-DOG.
[34] ILL. C.C. No. 20, Part 19, Section 20, 4th Revised Sheet No. 1.

establishment of cross-connects at the customer's premises, [35] at the main distribution frame (MDF),[36] and at the intermediate distribution frame (IDF).[37] In developing Loop Connection costs for 4-Wire Digital Loops the Company includes, among its list of provisioning activities, the establishment of cross-connects at the customer's premises[38] and, presumably at the MDF, IDF and Digital Cross-Connect Panel (DSX1)[39], or, alternatively, at only the DSX1.[40]

Q. What workgroups perform the activities the Company lists in support of its Loop Connection costs?

A. For 2-Wire Analog Loops, 2-Wire Digital Loops, and 4-Wire Analog Loops the Company estimates Loop Connection costs based on the activities performed by five workgroups: the Loop Assignment Center (LAC), the Circuit Provisioning Center (CPC), the Field Operations Group (FOG), the Special Services Center (SSC), and the Digital Operations Group (DOG). For 4-Digital Loops the Company estimates Loop Connection costs based on the activities performed by four workgroups: the Hi-Cap Provisioning Center (HPC), the Field Operations Group (FOG), the Special Services Center (SSC), and the Digital Operations Group (DOG).

[35] SBC Illinois Ex. 6.0, Schedule CFC-2, TAB 1.
[36] SBC Illinois Ex. 6.0, Schedule CFC-2, TAB 6.2.
[37] SBC Illinois Ex. 6.0, Schedule CFC-2, TAB 6.2.
[38] SBC Illinois Ex. 6.0, Schedule CFC-2, TAB 8.8-DOG.
[39] SBC Illinois Ex. 6.0, Schedule CFC-2, TAB 1.6.
[40] SBC Illinois Ex. 6.0, Schedule CFC-2, TAB 1.12.

Q. Are the activities performed by these workgroups consistent with the activities necessary assuming the lowest cost network configuration and most efficient telecommunications technology available?

A. The Company has not demonstrated that the activities it lists in support of its Loop Connection costs are those activities that would be necessary assuming the lowest cost network configuration and most efficient telecommunications technology available. Furthermore, the evidence in this proceeding suggests that a number of the activities listed in support of the Loop Connection costs may not be necessary or may be performed more efficiently than is assumed in the Company's Nonrecurring New EEL Combination Cost Study.

Q. Please describe the evidence that suggests that activities listed in support of the Loop Connection costs may not be necessary or may be performed more efficiently than is assumed in the Company's Nonrecurring New EEL Combination Cost Study.

A. The Company provides unbundled loops to CLECs in a number of different circumstances including instances where the loops are provisioned to CLEC's collocation arrangements (Stand Alone Loops), instances where the loops are provisioned in combination with the Company's unbundled local switching and shared transport offerings (UNE-P Combination Loops), and (as is the focus of the Company's Nonrecurring New EEL Combination Cost Study) in instances when the

loops are provisioned in conjunction with the Company's unbundled dedicated transport offerings (EEL Combination Loops). The Company has provided cost studies that include Loop Connection costs associated with each of these different scenarios. As a result the Company has produced three different estimates of Loop Connection costs for 2-Wire Analog loops.

Figure 1: Loop Connection Costs – 2-Wire Analog Loops

Configuration	Initial Install	Initial Disconnect	Additional Install	Additional Disconnect
Stand Alone Loop	$XXXX	$XXXX	$XXXX	$XXXX
UNE-P Combo Loop	$XXXX	$XXXX	$XXXX	$XXXX
EEL Combo Loop	$XXXX	$XXXX	$XXXX	$XXXX

As Figure 1 illustrates, the Company produces widely varying Loop Connection cost estimates for the different 2-Wire Analog loops configuration scenarios. The Company fails to adequately support the dramatic differences between provisioning activities associated with what appear to be very similar products, particularly in the case of Stand Alone and EEL Combination loops.

Q. Please explain the similarities between Stand Alone and EEL Combination loops.

A. As explained above, in developing Loop Connection costs for 2-Wire Analog EEL Combination loops the Company includes, among its list of provisioning activities, the establishment of cross-connects at the end user's premises, at the MDF, and at the IDF. In developing Loop Connection costs for 2-Wire Analog Stand Alone loops the Company includes these same provisioning activities.[41] The only difference identified with respect to these cross-connect activities, is that in the case of EEL Combination loops the IDF is assumed cross-connected to the DSX-1 while in the case of the Stand Alone loops the IDF is assumed cross-connected to a CLEC collocation arrangement.

Q. Given the similarities between the EEL Combination and Stand Alone 2-Wire Analog loop provisioning arrangements, why are the cost estimates produced by the Company different?

A. There are a number of assumptions made by the Company that create the cost estimate differentials. First, with respect to EEL Combination 2-Wire Analog loops, the Digital Operations Group (DOG) performs the physical outside plant work, while with respect to Stand Alone 2-Wire Analog loops Circuit Provisioning & Maintenance (CP&M) performs the physical outside plant work. The functions performed by the respective groups are, based on the Company's cost studies, identical.[42] Nevertheless, the DOG group appears to be less efficient than the CP&M group. For example, DOG

[41] SBC Illinois Ex. 6.0, Schedule CFC-1, TAB 6.3.

estimated travel time to work locations equals **XXXXXX** while CP&M estimated travel time to work locations equals **XXX**.[43] Similarly estimated DOG time to conduct circuit testing takes **XXXX** while estimated CP&M time to conduct circuit testing takes **XXXXXXX**.[44] These discrepancies suggest that DOG is less efficient in performing 2-Wire Analog loop provisioning than is CP&M.

Second, while the Company assumes, in the case of Stand Alone loops, that **XXXX** of 2-Wire Analog loops require no physical outside plant work by CP&M, the Company assumes that in the case of EEL Combination loops, all 2-Wire Analog loops require physical plant work by DOG. There is no evidence that a 2-Wire Analog loop that is ordered as part of an EEL is any more likely to require physical outside plant work than is a 2-Wire Analog loop ordered as a Stand Alone loop.

Finally, when supporting its Loop Connection cost estimates for provisioning a 2-Wire Analog loop that is part of an EEL, the Company lists testing and problem resolution activities performed, respectively, by the Special Services Center (SSC) and the Circuit Provisioning Center (CPC).[45] The Company has not demonstrated that these additional

[42] SBC Illinois Ex. 6.0, Schedule CFC-2, TAB 6.2, Lns 47-52 and SBC Illinois Ex. 6.0, Schedule CFC-1, TAB 6.3, Lns 1-6.
[43] SBC Illinois Ex. 6.0, Schedule CFC-2, TAB 6.2, Ln 49 and SBC Illinois Ex. 6.0, Schedule CFC-1, TAB 6.3, Ln 3.
[44] SBC Illinois Ex. 6.0, Schedule CFC-2, TAB 6.2, Ln 51 and SBC Illinois Ex. 6.0, Schedule CFC-1, TAB 6.3, Ln 5.
[45] SBC Illinois Ex. 6.0, Schedule CFC-2, TAB 6.2

activities are necessary when 2-Wire Analog loops are provisioned as a part of an EEL and not when the 2-Wire Analog loop is provisioned as a Stand-Alone loop.

Q. Have you identified any other deficiencies in the methodology used by the Company to estimate EEL Loop Connection costs?

A. Yes. Under the Company's proposed structure both installation and disconnection are included in the estimates of Loop Connection costs. That is, both activities are included within the single Loop Connection rate, which the Company assesses at the time the EEL is provisioned.

In calculating the disconnect portion of the Loop Connection cost the Company assumes that the average location life of an EEL loop is 2 years.[46] In order to adjust the Loop Connection cost estimate to account for the time between the assessment of Loop Connection Rates and the time the projected disconnection occurs, the Company inflates the disconnect portion of the Loop Connection cost estimate to account for 2 years of labor rate inflation and then calculates the present value of projected disconnection costs assuming a cost of money equal to ***XXXX***.[47]

[46] SBC Illinois Ex. 6.0, Schedule CFC-2, TAB 1.
[47] SBC Illinois Ex. 6.0, Schedule CFC-2, TAB 1.

The Company provided no support for the 2 year average location life with its filing. In response to Staff's request to "[p]lease provide any or all information that the Company used to derive the location life of 2 years assumed in TAB 1 of Schedule CFC-2" the Company stated:

> The 2 year life is reflective of the recognition that due to the nature of using UNEs to provide service to CLECs' end-users, there is more churn being experienced for local competition. Since CLECs do not incur the same capital costs as the ILECs, it is believed that they will not tie their customers into the longer term contracts that ILECs need.[48]

Thus, the Company indicates that ILEC contract term lengths are longer than the 2 year location life assumed for EELs. The Company then speculates that CLECs may not tie their customers into contracts for term lengths as long as those typically used by ILECs. Based upon its qualitative speculation that CLEC customer term lengths are shorter than ILEC customer term lengths, the Company makes what is presumably an arbitrary downward quantitative adjustment to location life based upon its unsupported qualitative speculation. The Company's response, which presumably includes any and all information the Company relied on to develop the 2 year location life, fails to provide support for its assumed location life.

The disconnect portion of the Loop Connection cost is a strictly decreasing function of assumed location life. Therefore, if the location life assumed is shorter than the average forward looking location life, the Company's Loop

Connection cost estimates will be overstated. Therefore, the unsupported assumption that term length for CLEC customers are shorter than the term lengths presumably experienced by the Company, yields an unsupported increase in the EEL Loop Connection cost estimate.

The Company's calculation of disconnect fees also fails to account for the churn referred to by the Company. Customers leaving CLECs are customers that in some and, perhaps most cases, return to the Company for retail service. Nevertheless, the Company assumes that in all cases loops serving these customers are disconnected. While it may be that in every case the Company disconnects central office cross connections, the Company would not presumably remove outside plant cross-connects when it wins a customer back. The Company estimation methodology, however, assumes that the Company will in every case remove outside plant cross-connects. In this respect, the Company's estimates are deficient.

Q. What adjustment should the Commission make with respect to the EEL Combination Loop Connection cost estimates?

A. If the Company cannot provide credible support for the differences between its proposed EEL Combination Loop Connection cost estimates and its Stand Alone Loop Connection cost estimates or provide supportable revised estimates, I recommend that the Commission require

[48] Response to Staff Data Request No. JZ 1.14, attached as Sched. 7.02.

the Company use its Stand Alone Loop Connection cost estimates as the estimates of EEL Combination Loop Connection costs.[49]

Dedicated Transport Costs

Q. Please explain the Company's general approach to estimation of Dedicated Transport costs.

A. There are currently two basic dedicated transport types specifically identified in the Company's EEL tariff: DS1 Dedicated Transport and DS3 Dedicated Transport.[50] The Company estimates transport costs separately for dedicated transport that the Company provisions to CLECs' collocation arrangements and for dedicated transport that the Company provisions to CLECs' non-collocated facilities. In developing Dedicated Transport Collocated costs, the Company includes, among its list of provisioning activities, the establishment of cross-connects at the serving wire center and end-office.[51] In developing Dedicated Transport Non-Collocated costs, the Company includes, among its list of provisioning activities, the establishment of cross-connects at the serving wire center and end-office[52] and at the CLECs facilities (i.e. customer premises).[53]

[49] My recommendations to correct disconnect portion of the Stand Alone Loop Connection charge will, if EEL Loop Connection charges mirror Stand Alone Loop Connection charges, address the deficiencies I have identified with respect to disconnect portion of EEL Loop Connection charges.
[50] ILL. C.C. No. 20, Part 19, Section 20, 4th Revised Sheet No. 1.
[51] SBC Illinois Ex. 6.0, Schedule CFC-2, TAB 1.6.
[51] SBC Illinois Ex. 6.0, Schedule CFC-2, TAB 6.2.
[52] SBC Illinois Ex. 6.0, Schedule CFC-2, TAB 1.6.
[52] SBC Illinois Ex. 6.0, Schedule CFC-2, TAB 6.2.
[53] SBC Illinois Ex. 6.0, Schedule CFC-2, TAB 8.8-DOG.

Q. What workgroups perform the activities the Company lists in support of its Dedicated Transport cost estimates?

A. The Company estimates its Dedicated Transport costs based on the activities performed by four workgroups: the Hi-Cap Provisioning Center (HPC), the Field Operations Group (FOG), the Special Services Center (SSC), and the Digital Operations Group (DOG).

Q. Are the activities performed by these workgroups necessary assuming the lowest cost network configuration and most efficient telecommunications technology available?

A. The Company has not demonstrated that the activities it lists in support of its Dedicated Transport costs are those activities that would be necessary assuming the lowest cost network configuration and most efficient telecommunications technology available. Furthermore, the evidence in this proceeding suggests that some of the activities listed in support of the Loop Connection cost estimates may not be necessary or may be performed more efficiently than is assumed in the Company's Nonrecurring New EEL Combination Cost Study.

Q. Please describe the evidence that suggests that activities listed in support of the Dedicated Transport cost estimates may not be

necessary or may be performed more efficiently than is assumed in the Company's Nonrecurring New EEL Combination Cost Study.

A. When computing the costs of DS3 Dedicated Transport Non-Collocated, the Company cost studies indicate that the work performed by its four provisioning work groups is identical to the work performed by these same four groups when installing a Stand Alone DS3 loop, with one exception.[54] In the case of a Stand Alone DS3 loop, the FOG group must ***XXXXXXXXXXXXXXXXXXXXXXX***, while in the case of DS3 Dedicated Transport Non-Collocated the FOG group must ***XXXXXXXXXXXXXXXXX***.[55] ***XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX***[56] The net result is that the single cost difference listed by the Company between installation of a Stand Alone DS3 loop and installation of DS3 Dedicated Transport Non-Collocated is that FOG performs exactly twice as much work in the case of DS3 Dedicated Transport Non-Collocated.

The Company also provides both Stand Alone DS1 loops and DS1 Dedicated Transport Non-Collocated. Absent evidence to the contrary, based on analysis of the Company's DS3 cost estimation, I would expect that the single cost difference listed by the Company between installation

[54] SBC Illinois Ex. 6.0, Schedule CFC-2, TAB 6.2 and SBC Illinois Ex. 6.0, Schedule CFC-1, TAB 6.3.

[55] SBC Illinois Ex. 6.0, Schedule CFC-2, TAB 6.2 and SBC Illinois Ex. 6.0, Schedule CFC-1, TAB 6.3.

of a Stand Alone DS1 loop and installation of DS1 Dedicated Transport Non-Collocated is that FOG performs exactly twice as much work in the case of DS1 Dedicated Transport Non-Collocated. However, this is not the case.

In contrast to the DS3 comparison, the Company estimates that the SSC group must perform work more often when provisioning DS1 Dedicated Transport Non-Collocated than when provisioning Stand Alone DS1 loops.[57] That is, the SSC task occurrence factor for XXXXXXXXXXXX*** is ***XXXXXXXXXXX*** for provisioning of DS1 Dedicated Transport Non-Collocated, but only ***XXXXX*** for provisioning of Stand Alone DS1 loops. This difference is unsupported and, based on a comparison between DS1 and DS3 provisioning cost estimates, appears to be erroneous.

Q. Have you identified any other deficiencies in the methodology used by the Company to estimate EEL Dedicated Transport costs?

A. Yes. As explained above, the 2 year location life assumed by the Company for its Nonrecurring EEL Combination Cost Study is unsupported by the Company. In fact, the evidence provided by the Company provides even less support for a two year EEL Dedicated Transport location life than it does for a two year EEL Loop location life.

[56] SBC Illinois Ex. 6.0, Schedule CFC-2, TAB 6.2.

For instance, even if customer churn means that a CLEC will relinquish an individual customer loop, it does not imply that the CLEC will relinquish Dedicated Transport serving that customer, particularly when the Dedicated Transport DS1 or DS3 serves aggregated traffic from multiple customers. The Company response to Staff Data Request JZ 1.14, referenced above as Sched. 7.02, indicates that the Company has utterly failed to account for this fact. Again, this failure will increase Dedicated Transport cost estimates.

Q. What adjustment should the Commission make with respect to the EEL Dedicated Transport cost estimates?

A. If the Company cannot provide credible support for the differences between the activities performed by SSC group when provisioning DS1 Dedicated Transport Non-Collocated and when provisioning Stand Alone DS1 loops, I recommend the Commission require the Company to calculate DS1 Dedicated Transport Non-Collocated cost estimates assuming the activities performed by SSC when provisioning DS1 Dedicated Transport Non-Collocated are identical to those performed by SSC when provisioning Stand Alone DS1 loops.

If the Company cannot provide credible support for its 2-year location life assumption or provide a credibly supported revised location life applicable

[57] SBC Illinois Ex. 6.0, Schedule CFC-2, TAB 6.2 and SBC Illinois Ex. 6.0, Schedule CFC-1, TAB 6.3.

to its EEL Dedicated Transport offerings, then I recommend that the Commission require the Company to exclude disconnect costs from the development of its EEL Dedicated Transport cost estimate.

Central Office Multiplexing Costs

Q. Please explain the Company's general approach to estimation of Central Office Multiplexing costs.

A. The Company provides for two general types of multiplexing: DS1 to Voice and DS3 to DS1.[58] In its cost development the Company develops a stand-alone cost for DS1 to Voice multiplexing but includes the costs of DS3 to DS1 multiplexing in the development of its DS3 Dedicated Transport cost estimates.

Q. What workgroups perform the activities the Company lists in support of its DS1 to Voice Multiplexing cost estimates?

A. In support of its DS1 to Voice Multiplexing cost estimates, the company lists the activities of three groups: the Hi-Cap Provisioning Center (HPC), the Field Operations Group (FOG), and the SSC (Special Services Center).

[58] See, for example, SBC Illinois Ex. 6.0, Schedule CFC-2, TAB 1.10.

Q. Are the activities performed by these workgroups necessary assuming the lowest cost network configuration and most efficient telecommunications technology available?

A. The Company has not demonstrated that the activities it lists in support of its DS1 to Voice - Central Office Multiplexing costs are those activities that would be necessary assuming the lowest cost network configuration and most efficient telecommunications technology available. Furthermore, the evidence in this proceeding suggests that a number of the activities listed in support of the Central Office Multiplexing cost estimates may not be necessary or may be performed more efficiently than is assumed in the Company's Nonrecurring New EEL Combination Cost Study.

Q. Please describe the evidence suggesting that activities listed in support of the DS1 to Voice - Central Office Multiplexing cost estimates may not be necessary or may be performed more efficiently than is assumed in the Company's Nonrecurring New EEL Combination Cost Study.

A. As indicated above, the Company appears to incorporate the cost of DS1 to DS3 Central Office Multiplexing into its DS3 Interoffice Dedicated Transport cost computations. Presumably the same three groups that provision Voice to DS1 Central Office Multiplexing also provision DS1 to DS3 Central Office Multiplexing. When estimating the costs of the DS3 Interoffice Dedicated Transport component of an EEL, the Company cost

development assumes that these groups perform both multiplexing and interoffice dedicated transport provisioning simultaneously.[59] However, when estimating the cost of provisioning a DS1 Interoffice Dedicated Transport component of an EEL, the Company cost development assumes that the three provisioning groups perform multiplexing and interoffice dedicated transport provisioning independently. In developing independent cost estimates, the Company has listed identical activities both in support of DS1 Interoffice Dedicated Transport and Voice to DS1 Central Office Muliplexing cost estimates, but has not demonstrated that such activities need to be performed twice.

For example, the tasks performed by the HPC group listed in support of the Voice to DS1 Central Office Multiplexing cost estimates mirror line for line the tasks performed by the HPC group listed in support of the DS1 Interoffice Dedicated Transport cost estimates.[60] Similarly, the tasks performed by the FOG and SSC groups listed in support of the Voice to DS1 Central Office Multiplexing cost estimates are listed among those performed by these groups listed in support of the DS1 Interoffice Dedicated Transport cost estimates.[61]

In some instances these activities clearly do not need to be performed twice. For example, when provisioning DS1 Interoffice Dedicated

[59] SBC Illinois Ex. 6.0, Schedule CFC-2, TAB 6.2 Lns 199-204 and 222-227.
[60] SBC Illinois Ex. 6.0, Schedule CFC-2, TAB 6.2.

Transport in combination with Voice to DS1 Central Office Multiplexing the Company claims that the FOG group travels to an unmanned office twice: once to provision the interoffice dedicated transport and then again to provision the multiplexing. This is a gross example of inefficiency, and the complete redundancy in tasks listed suggests that all of Central Office Multiplexing tasks are duplicative. This conclusion is supported by the fact that the similar tasks are listed only once for the combination of DS3 Interoffice Dedicated Transport and DS1 to DS3 Central Office Multiplexing.

Q. Have you identified any other deficiencies in the methodology used by the Company to estimate Central Office Multiplexing – DS1 to Voice costs?

A. Yes. As explained above, the 2 year location life assumed by the Company is unsupported by the Company. This unsupported assumption yields, as it does for the EEL Loop Connection cost estimate, an unsupported increase in the Central Office Multiplexing – DS1 to Voice cost estimate.

Q. What adjustment would you recommend the Commission make with respect to the Central Office Multiplexing – DS1 to Voice cost estimate?

[61] SBC Illinois Ex. 6.0, Schedule CFC-2, TAB 6.2.

A. The costs associated with this function appear to be already included with the estimated costs of DS1 Interoffice Dedicated Transport. If the Company cannot provide credible support to indicate that these costs are not entirely duplicative and cannot revise its estimates to appropriately capture costs associated with any non-duplicative activities, I recommend that the Commission require the Company to exclude the separate Central Office Multiplexing – DS1 to Voice cost estimate from its Nonrecurring New EEL Combination Cost Study.

Clear Channel Capability Costs

Q. What is Clear Channel Capability?

A. The Company's New EEL Combination Cost Study describes clear channel capability as:

> …a feature that provide the customer an increased usable bandwidth of 1.536 Mbps from 1.344 Mbps of an unconstrained data stream across the network.[62]

Q. Please explain the Company's general approach to estimation of Clear Channel Capability costs.

A. The activities required to provision Clear Channel Capability are included among the activities required to provision a DS1 loop. The Company, however, provides a separate cost estimate for instances when it must

[62] SBC Illinois Ex. 6.0, Schedule CFC-2, TAB 1.

provision Clear Channel Capability on an existing DS1 that does not have Clear Channel Capability.[63]

Q. What workgroups perform the activities the Company lists in support of its Clear Channel Capability cost estimates?

A. In support of the Clear Channel Capability cost estimates, the Company lists activities performed by both the Hi-Cap Provisioning Center (HPC) and the Special Services Center (SSC).

Q. Are the activities performed by these workgroups necessary assuming the lowest cost network configuration and most efficient telecommunications technology available?

A. The Company has not demonstrated that the activities it lists in support of its Clear Channel Capability costs are those activities that would be necessary assuming the lowest cost network configuration and most efficient telecommunications technology available. Furthermore, the evidence in this proceeding suggests that at least one of the activities listed in support of the Clear Channel Capability cost estimates might be performed more efficiently than is shown in the Company's Nonrecurring New EEL Combination Cost Study.

Q. Please describe the evidence that suggests that provisioning of Clear Channel Capability may be performed more efficiently than is

[63] SBC Illinois Ex. 6.0, Schedule CFC-2, TAB 1.

shown in the Company's Nonrecurring New EEL Combination Cost Study.

A. One of the tasks performed by SSC in provisioning Clear Channel Capability is ***XXXXXXXXXXXXXXX***, which according to the Company's estimates takes ***XXXXXXXX***.[64] However, when developing the estimate of the 4-Wire DS1 Digital Loop Connection cost the Company indicates that this task takes only ***XXXXXXXX***.[65]

Q. What adjustment should the Commission make with respect to the Clear Channel Capability cost estimate?

A. If the Company cannot provide credible support to indicate that the timing of the ***XXXXXXXXXXXXXX*** used for purposes of computation of Clear Channel Capability cost estimates differs from the timing of the ***XXXXXXXXXXXXXXX*** used for purposes of computation of the 4-Wire Digital Loop Connection cost estimates, the Company should be required to reduce its ***XXXXXXXXXXXXX *** activity time estimate to ***XXXXXX***.[66]

Findings and Recommendations

[64] SBC Illinois Ex. 6.0, Schedule CFC-2, TAB 6.2, Ln 472.
[65] SBC Illinois Ex. 6.0, Schedule CFC-2, TAB 6.2, Ln 182.
[66] This reduction should occur for both initial and additional activities.

Q. Please summarize your analysis of the Nonrecurring New EEL Combination Cost Study and your recommendation with respect to the Company's proposed cost estimates.

A. The Company has not demonstrated that the activities listed in support of its New EEL Combination Cost Study are necessary assuming, as the FCC requires, the lowest cost network configuration and most efficient telecommunications technology available. The evidence in this proceeding suggests that in a number of cases provisioning of service may be performed more efficiently than is assumed in the Company's Nonrecurring New EEL Combination Cost Study. The Company has also made unsupported assumptions regarding location lives that yield unsupported increases in its cost estimates. Based on this evidence, I make the following recommendations.

With respect to Loop Connection cost estimates, if the Company cannot provide credible support for the differences between its proposed EEL Combination Loop Connection cost estimate and its Stand Alone Loop Connection cost estimate or provide supportable revised estimates, I recommend that the Commission require the Company to replace its EEL Combination Loop Connection cost estimates with the comparable Stand

Alone Loop Connection cost estimates approved by the Commission in this proceeding.[67]

With respect to Dedicated Transport cost estimates, if the Company cannot provide credible support for the differences between the activities performed by SSC group when provisioning DS1 Dedicated Transport Non-Collocated and when provisioning Stand Alone DS1 loops, I recommend the Commission require the Company to calculate DS1 Dedicated Transport Non-Collocated costs assuming the activities performed by SSC when provisioning DS1 Dedicated Transport Non-Collocated are identical to those performed by SSC when provisioning Stand Alone DS1 loops.

Furthermore, if the Company cannot provide credible support for its 2-year location life assumption or provide a credibly supported revised location life applicable to its EEL Dedicated Transport offerings, I recommend that the Commission require the Company to exclude disconnect costs from the development of its EEL Dedicated Transport cost estimate.

With respect to Central Office Multiplexing – DS1 to Voice costs, the costs associated with this function appear to be already included with the estimated costs of DS1 Interoffice Dedicated Transport. If the Company

[67] My recommendations to correct disconnect portion of the Stand Alone Loop Connection charge will, if EEL Loop Connection charges mirror Stand Alone Loop Connection charges, address the

cannot provide credible support to indicate that these costs are not entirely duplicative and cannot revise its estimates to appropriately capture costs associated with any non-duplicative activities, I recommend that the Commission require the Company to exclude the separate cost estimate for Central Office Multiplexing – DS1 to Voice from its Nonrecurring New EEL Combination Cost Study.

With respect to Clear Channel Capability costs, if the Company cannot provide credible support to indicate that the timing of the ***XXXXXXXXXX*** used for purposes of computation of Clear Channel Capability costs differs from the timing of the ***XXXXXXXXXXXXXXX*** used for purposes of computation of the 4-Wire Digital Loop Connection costs, the Company should be required to reduce its ***XXXXXXXX*** activity time estimate to ***XXXXXXXX***.

Nonrecurring Unbundled Loop Cost Study

Overview

Q. What is a UNE-P combination?

A. Combinations of Unbundled Loops and Unbundled Local Switching with Shared Transport are generally referred to as the Unbundled Network

deficiencies I have identified with respect to disconnect portion of EEL Loop Connection charges.

Elements Platform (UNE-P).[68] The Company UNE-P tariff differentiates between Pre-Existing and New UNE-P combinations, stating:

> Pre-Existing ("Currently combined") is the situation when a telecommunications carrier orders all the Ameritech Unbundled Network Elements required to provide service to and convert a Company end-user customer, another telecommunications carrier's pre-existing UNE-P enduser customer, or a telecommunications carrier's resale end-user customer to a pre-existing UNE-P (a) without any change in features or functionality that was being provided by the Company (or by telecommunications carrier on a resale basis) at the time of the order and/or (b) with only the change needed to route the end user customer's operator service and directory assistance (OS/DA) calls to the telecommunications carrier's OS/DA platform via customized routing where such customized routing has already been established to the telecommunications carrier's OS/DA platform from the relevant Company.
>
> A New UNE-P combination of network elements as provided under this Section is the situation when a telecommunications carrier requests the Company to provide a combination of network elements of the same type (i.e., unbundled loop and unbundled local switching port with shared transport) that the Company ordinarily combines to provide service for its end users, as delineated in this Section. The New UNE-P combination of unbundled network elements, as described above, is not "currently physically combined" as that term is defined herein.[69]

The Company further delineates between Plain Old Telephone Service (POTS) UNE-P combinations and Non-POTS UNE-P Combinations, presumably based on the switch port included as part of the UNE-P combination. SBC Illinois witness Dr. Kent Currie indicates that "POTS ports include basic analog line ports and ground start ports" and that "Non-

[68] ILL. C.C. No. 20, Part 19, Section 15, 7th Revised Sheet No. 1.

POTS ports include PBX ground start line ports, basic Centrex line ports, DID ports, ISDN Direct ports, ISDN Prime ports, ADTS ports, digital trunk ports, Centrex EKL ports, Centrex Attendant ports, and Centrex ISDN ports."[70]

Q. What is a Stand Alone Loop?

A. The Company's Nonrecurring Unbundled Loop Cost Study describes a Stand Alone Loop as an unbundled loop that connects an end-user to CLEC collocation cage.[71] The Company does not, as it does with respect to UNE-P configurations, differentiate between POTS Stand Alone Loops and Non-POTS Stand Alone Loops. The Company does, however, differentiate between DS1 Stand Alone, DS3 Stand Alone, and other (analog and 2-wire digital) Stand Alone Loops.[72]

Q. Please explain how the Company's Stand Alone and UNE-P loop provisioning cost estimates are structured?

A. There are three cost estimates included in the Company's Nonrecurring Unbundled Loop Cost Study: (1) Line Connection costs (2) DS1 costs, (3) and DS3 costs. As stated in the Company's Nonrecurring Unbundled Loop Cost Study "[t]he Line Connection Charge is a blending of 2 types of POTS line connections, a Stand Alone and a UNE-P POTS New

[69] ILL. C.C. No. 20, Part 19, Section 15, 5th Revised Sheet No. 2.
[70] SBC Illinois Ex. 5.0 at 12, footnotes 2 and 3.
[71] Nonrecurring Unbundled Loop Cost Study, TAB 1.
[72] See SBC Illinois Ex. 3.0 at 7.

Combination Loop." [73] The DS1 cost is the Company's estimate of the cost for connecting both Stand Alone DS1 loops and of DS1 loops that are part of UNE-P combinations.[74] The DS3 cost is the Company's estimate of the cost of connecting Stand Alone DS3 loops.[75]

POTS, DS1, and DS3 Stand-Alone Line Connection Costs

Q. Have you identified any deficiencies in the methodology used by the Company to estimate POTS, DS1, and DS3 Stand-Alone Line Connection costs?

A. Yes. I have identified two deficiencies in the Company's Stand-Alone Line Connection cost estimation methodology. First, as it does for new EEL combinations the Company assumes that the location lives of Stand-Alone lines is 2 years.[76] As is the case for the EEL Loop Connection cost, the Stand-Alone Loop Connection cost is a strictly decreasing function of assumed location life. Therefore, if the location life assumed is shorter than the average forward looking location life, the Company's Stand Alone Line Connection cost estimates will be overstated. Therefore, the unsupported assumption that term length for CLEC customers are shorter

[73] Nonrecurring Unbundled Loop Cost Study, TAB 1.
[74] SBC Illinois Witness Cass states "[i]n the case of DS1 and DS3 loops there is no need to identify separate costs for UNE-P and stand-alone because the cost of establishing these loops does not vary by scenario." SBC Illinois Ex. 6.0 at 22.
[75] SBC Illinois Ex. 3.0 at 7.
[76] SBC Illinois Ex. 6.0, CFC-1, TAB 1.

than the term lengths presumably experienced by the Company, yields an unsupported increase in the EEL Loop Connection cost estimate.

Second, the Company fails to account for customer migrations when developing the Stand Alone Line Connection cost DIP rate. That is, the Company assumes that Stand Alone Line Connections are comparable to new UNE-P line connections when developing the Stand Alone DIP rate. However, a portion of Stand Alone Line Connections will be comparable to existing UNE-P. That is, in many instances when a CLEC orders a stand alone loop, the Company will need to do the work to change an existing DIPed and DOPed loop into a stand alone loop. In such instances, the Company may need to change the cross connect configuration in the central office, but it should not need to perform the outside plant cross connects.

Q. What adjustment should the Commission make with respect to POTS, DS1, and DS3 Stand-Alone Line Connection costs?

A. If the Company cannot provide credible support for its 2 year location life assumption or provide a credibly supported revised location life estimate, I recommend that the Commission require the Company to calculate the location life for each loop type based upon the average location life of the Company's comparable end-user offerings.[77]

[77] See the Direct Testimony of Staff Witness Hanson, ICC Staff Ex. 6.0, for a discussion of Company location lives.

If the Company cannot provide credible support for the DIP rate it applies to stand alone loops when estimating its Stand Alone Line Connection cost or provide a credibly supported revised DIP rate for this purpose, I recommend that the Commission require the Company to provide separate new UNE-P and Stand Alone CP&M estimates in the development of its Line Connection costs. In addition, when developing the CP&M estimate for the Stand Alone Line Connection cost the Company should use a work group occurrence factor of ***XXXX*** or, in the event a different DIP factor is adopted in this proceeding, ***XXXXX*** times (1 - the DIP factor adopted in this proceeding).

Q. How do you compute the ***XXXXX* CP&M work group occurrence factor you propose for use in the development of the Stand Alone Line Connection cost estimate?**

A. For the period starting in April of 2002 and ending in November of 2002, ***XXXXX*** of POTS UNE-P lines ordered were existing customer lines that did not require the Company's CP&M group to physically install cross-connect wiring.[78] Of the remaining POTS UNE-P lines ordered, ***XXXXX*** were not existing customer lines. The Company estimates that ***XXXXXX*** of orders for new UNE-P lines do require the CP&M group to physically install cross-connect work. Based on these figures,

[78] Response to Attorney General Data Request No. 2.7e, Attachment "Analysis of Stand-Alone and UNE-P Loop Orders for SBC Illinois," Attached as Sched. 7.03.

the CP&M group physically installs cross-connect work only ***XXXXXXXXXXXXXXXXXX*** of the time in provisioning POTS UNE-P lines. Thus, the ***XXXX*** CP&M work group occurrence factor I propose for development of the Stand Alone Line Connection cost estimate equals the estimated CP&M work group occurrence factor applicable to provisioning of all POTS UNE-P lines including both provisioning of new-UNE-P lines and UNE-P migrations.

New POTS and DS1 UNE-P Line Connection Costs

Q. Have you identified any deficiencies in the methodology used by the Company to estimate New POTS and DS1 UNE-P Line Connection costs?

A. Yes. The Company again makes the unsupported assumption that the location lives of New UNE-P lines is 2 years. In addition, the Company assumes that, with respect to UNE-P POTS loop connections, UNE-P loop disconnect work at the central office is required the same percentage of the time that it is required when the Company performs installation of new UNE-P loops. This assumption is not supported with credible evidence.

Churn will, in some cases, result in customers migrating from one CLEC using UNE-P to another CLEC using UNE-P or back to the Company. In

these cases, the Company presumably will not perform the disconnect activity. The Company has provided no evidence to indicate that it accounted for these instances when developing its disconnection work group occurrence factors.

At the end of 2001, 8.6% of POTS lines were provisioned over either CLEC facilities or over CLEC facilities in combination with ILEC loops.[79] Alternatively, 91.4% of POTS lines were provisioned over ILEC facilities either as ILEC retail lines, as ILEC UNE-P lines provided to CLECs, or as ILEC resold lines provided to CLECs. Based on these figures, it is likely that customer churn will, in a high percentage of instances, result in customers migrating from one CLEC using UNE-P to another CLEC using UNE-P or back to the Company.

Q. What adjustment should the Commission make with respect to POTS and DS1 UNE-P Line Connection cost estimates?

A. If the Company cannot provide credible support for its 2 year location life assumption or provide a credibly supported revised location life estimate, I recommend that the Commission require the Company to calculate the location life for each loop type based upon the average location life of the Company's comparable end-user offerings.[80]

[79] See Illinois Commerce Commission, Annual Report on Telecommunications Markets in Illinois, Wednesday, October 23, 2002, at 3.
[80] See the Direct Testimony of Staff Witness Hanson, ICC Staff Ex. 6.0, for a discussion of Company location lives.

Additionally, if the Company cannot provide credible support for its work group occurrence factors, the Commission should require the Company to use occurrence factors when computing POTS UNE-P disconnect costs that equal (1 - the DIP rate adopted in this proceeding) X 0.086.[81] This computation assumes that 91.4% of POTS UNE-P terminations result in transfers of POTS UNE-P lines to another UNE-P provider or back to the Company and further that the Company only disconnects a fraction equal to (1 - whatever DIP rate is adopted in this proceeding) of those lines that are not migrated to another provider or back to the Company.

Findings and Recommendations

Q. Please summarize your analysis of the Nonrecurring Unbundled Loop Cost Study and your recommendation with respect to the Company's proposed cost estimates.

A. The Company has not provided credible support for its assumptions regarding location lives. Based on this evidence, I make the following recommendations.

With respect to POTS, DS1 and DS3 Stand Alone Line Connection cost estimates and POTS and DS1 UNE-P Line Connection cost estimates, if

the Company cannot provide credible support for its 2 year location life assumption or provide a credibly supported revised location life estimate, I recommend that the Commission require the Company to calculate the location life for each loop type based upon the average location life of the Company's comparable end-user offerings.[82]

Additionally, if the Company cannot provide credible support for its work group occurrence factors, the Commission should require the Company to use occurrence factors when computing POTS UNE-P disconnect costs that equal ((1 - the DIP rate adopted in this proceeding) X 0.086).[83]

Nonrecurring Unbundled Local Switching - Ports Study

Overview

Q. What is unbundled local switching ("ULS")?

A. The Company's cost documentation states:

> Unbundled Local Switching (ULS) provides unbundled access to SBC – Ameritech's End Office switches, including switch features and functions. With ULS, the individual unbundled loops of Competitive Local Exchange Carriers (CLECs) can connect to Ameritech's end offices. ULS also provides unbundled access on a

[81] Specifically this adjustment would be applied to all work group occurrence factors listed for FOG with respect to disconnect activities listed in support of the UNE-P POTS New Combination Loop on TAB 6.3 of SBC Illinois Ex. 6.0, CFC-1.
[82] See the Direct Testimony of Staff Witness Hanson, ICC Staff Ex. 6.0, for a discussion of Company location lives.
[83] Specifically this adjustment would be applied to all work group occurrence factors listed for FOG with respect to disconnect activities listed in support of the UNE-P POTS New Combination Loop on TAB 6.3 of SBC Illinois Ex. 6.0, CFC-1.

> line-by-line basis to currently provided and/or technically feasible functionality of that switch.[84]

Q. How does a CLEC obtain access to SBC Illinois provided ULS?

A. The Company's cost documentation states:

> SBC-Ameritech offers unbundled access to local switching through line-side and trunk-side ports.[85]

Line and Trunk Port Non-recurring Costs

Q. Have you identified any deficiencies in the methodology used by the Company to estimate Port Non-Recurring Costs?

A. Yes. The Company again makes the unsupported assumption that the location lives of ports used in combinations is 2 years.[86]

Q. What adjustment should the Commission make with respect to Port Non-Recurring cost estimates?

A. If the Company cannot provide credible support for its 2 year location life assumption or provide a credibly supported revised location life estimate, I recommend that the Commission require the Company to calculate the

[84] SBC Illinois Ex. 7.0, Schedule DJB-04, Attachment to TAB 1.0.
[85] SBC Illinois Ex. 7.0, Schedule DJB-04, Attachment to TAB 1.0.
[86] I note that SBC Illinois Witness Barch indicates that the location lives assumed for ports is three years. SBC Illinois Ex. 7.0 at 69. I assume, based on the fact that cost study documentation indicates that the location lives assumed for ports is two years, that Mr. Barch's statement represents a typographical error. SBC Illinois Ex. 7.0, Schedule DJB-04, Attachment to TAB 1.0.

location life for each port based upon the average location life of the Company's comparable end-user offerings.[87]

Findings and Recommendations

Q. Please summarize your analysis of the Nonrecurring Unbundled Loop Switching – Ports Study and your recommendation with respect to the Company's proposed cost estimates.

A. The Company has not provided credible support for its assumptions regarding location lives. Based on this evidence, I make the following recommendations.

With respect to Non-recurring Line and Trunk Port costs, if the Company cannot provide credible support for its 2 year location life assumption or provide a credibly supported revised location life estimate, I recommend that the Commission require the Company to calculate the location life for each loop type based upon the average location life of the Company's comparable end-user offerings.[88]

Nonrecurring Unbundled Port Features Study

[87] See the Direct Testimony of Staff Witness Hanson, ICC Staff Ex. 6.0, for a discussion of Company location lives.
[88] See the Direct Testimony of Staff Witness Hanson, ICC Staff Ex. 6.0, for a discussion of Company location lives.

Overview

Q. When does the Company propose to assess the Port Feature Add/Change Translation Rate?

A. The Company proposes to assess the Port Feature Add/Change Translation Rate when a CLEC requests the addition of a feature or a change to a feature of an existing port configuration.[89] Based on rate application examples provided by SBC Illinois witness Silver, the add/change translation rate is only assessed by the Company when a CLEC requests the addition of a feature or a change to a feature of an existing port configuration.[90] CLECs will not be assessed this rate when a Port is configured for the first time, that is, when ordering new UNE-P combinations.[91] They will, however, be assessed this rate when ordering conversions, even when they request conversions of existing circuits with no change in features (i.e, when they request conversions "as is").[92]

Q. Has the Company included both the costs of connecting features and the costs of disconnecting features in computing its estimated Port Feature Add/Change Translation Cost?

A. Yes. In including the disconnect portion of the cost, the Company assumed a two year location life.[93]

[89] SBC Illinois Ex. 7.0, Schedule DJB-05, Attachment to TAB 1.0.
[90] SBC Illinois Ex. 3.0, Schedule MDS-10, Page 4 of 14.
[91] SBC Illinois Ex. 3.0, Schedule MDS-10, Page 5 of 14.
[92] SBC Illinois Ex. 3.0, Schedule MDS-10, Page 1 of 14.
[93] SBC Illinois Ex. 7.0, Schedule DJB-05, Attachment to TAB 1.0.

Port Feature Add/Change Translation Costs

Q. Have you identified any deficiencies in the methodology used by the Company to estimate Port Feature Add/Change Translation Costs?

A. Yes. The Company makes the unsupported assumption that the location lives of port features equals the location lives of port itself.[94] The Company, consequently, assumes that it will be disconnecting a port and rearranging the features on the port at the same time. Presumably, the Company will not need to disconnect port features if it is disconnecting the port itself. Therefore, the disconnect activities included within the Port Feature Add/Change Translation cost estimate appear to be wholly redundant.

Second, the Company estimates that it costs ***XXXXX*** to connect a basic analog line port that is part of a New UNE-P configuration regardless of the number of features requested. However, the Company assumes that it costs ***XXX*** to connect the initial feature and ***XXXX*** to connect additional features when it adds/changes features on an existing port. The Company, thus, estimates that it is always at least as costly and, when more than one feature is effected, is considerably more costly to add or change features than it is to obtain a brand new port as part of a New UNE-P configuration. Because the Company would presumably

have to do all of the work necessary to add features to New UNE-P configurations, this evidence suggests that the Company is able to provision features more efficiently than its Nonrecurring Unbundled Port Features Study indicates.

Q. What adjustment should the Commission make with respect to Port Feature Add/Change Translation Costs?

A. Unless the Company can provide evidence that demonstrates that the disconnect activities are necessary, the Commission should reject the Company's inclusion of disconnect activity costs in its Port Feature Add/Change Translation Costs. Furthermore, unless the Company can demonstrate that the provisioning activities necessary to add/change a port feature exceed the provisioning activities necessary to provision a New UNE-P port, the Commission should require the Company to estimate a single Port Feature Add/Change Translation cost (which includes costs for both initial and additional adds/changes) equal to the estimate of Line/Trunk Port costs for new combination orders.

Findings and Recommendations

Q. Please summarize your analysis of the Nonrecurring Unbundled Port Features Study and your recommendation with respect to the Company's proposed cost estimates.

[94] SBC Illinois Ex. 7.0, Schedule DJB-05, Attachment to TAB 1.0.

A. The Company has not demonstrated that unbundled port features disconnect activities are necessary given port disconnect activities estimated elsewhere in the Company's filing. Furthermore, based on the Company's port connection cost estimates, feature add/change translation activities do not reflect least cost provisioning of port features.

Unless the Company can provide evidence that demonstrates that the disconnect activities are necessary, the Commission should reject the Company's inclusion of disconnect activity costs in its Port Feature Add/Change Translation Costs. Furthermore, unless the Company can demonstrate that the provisioning activities necessary to add/change a port feature exceed the provisioning activities necessary to provision a New UNE-P port, the Commission should require the Company to estimate a single Port Feature Add/Change Translation cost (which includes costs for both initial and additional adds/changes) equal to the estimate of Line/Trunk Port costs for new combination orders.

RECURRING LOOP COSTS

Premises Termination Costs

Q. What specific recurring costs will you address in testimony?

A. I will discuss the premises termination component of recurring loop costs. These costs are addressed and supported by SBC Illinois Witness Smallwood.[95]

Q. When developing its residential premises termination unit investment costs, what assumption does the Company make regarding the configuration of residential terminations.

A. The Company assumes that "a residential loop requires a single premises termination with a drop cable."[96] That is, the Company assumes that each residential premises is served by NID/Buried Drop Wire configuration with a capacity of 6 pairs.[97]

Q. Does the Company's approach account for multi-dwelling units?

A. No. Staff Data Request No. QL 1.05c(3), attached as Sched. 7.04, requested the Company to

> …clarify whether "multi-dwelling units" residential premises terminations (e.g., terminations at apartment buildings and condominiums) are counted for in LoopCAT.

The Company responded "No."[98]

[95] SBC Illinois Ex. 4.0.
[96] IL 2w Analog LoopCAT 02-05.xls!Premises_Termination_Res.
[97] Misc Material Cost 2002 (IL).xls.
[98] Response to Staff Data Request No. QL 1.05c(3), attached as Sched. 7.04.

Q. Will this omission result in cost estimates that are not, as the FCC requires, based on the lowest cost network configuration and most efficient telecommunications technology available?

A. Yes. The evidence in this proceeding suggests that when multiple lines are terminated at the same physical location the Company can deploy larger terminals, which reduce the unit cost per pair.[99] The Company approach assumes, however, that residential customers are always served by small terminals even when such customers reside in the same physical location as other residential customers. Therefore, the Company estimates are not based on the lowest cost network configuration and most efficient telecommunications technology available as required by the FCC.

Q. What adjustment should the Commission make with respect to the LoopCAT model in order to account for multi-unit residential dwellings?

A. The Company has not proven that its residential premises termination cost estimates are based on the lowest cost network configuration and most efficient telecommunications technology available as required by the FCC. Furthermore, the evidence in this proceeding suggests that the Company's estimates are not based on the lowest cost network configuration and most efficient telecommunications technology available as required by the FCC. If the Company cannot provide credible support

for its estimates or cannot adjust these estimates to properly reflect the lowest cost network configuration and most efficient telecommunications technology, I recommend that the residential and business percentages input into the LoopCAT model be revised. I recommend that Percent Residential Premises Termination be set equal to ***XXXXXX*** and Percent Business Premises Termination be set equal to ***XXXXXX***.

Q. How do you compute this adjustment?

A. The U.S. Census Bureau reports that there are 4,883,649 housing units in Illinois excluding the housing unit category Boat, RV, van, etc. and that 20.56% of these housing units are in structures that contain 5 or more housing units.[100] Based on this information, I reclassified 20.56% residential lines as business lines for the purposes of determining percentage premises termination figures. This changed the percentage residential and business premises figures, used by the Company to estimate premises termination costs, respectively, from ***XXXXX*** and ***XXXX*** to ***XXXX*** and ***XXXXX***.

Q. Why did you employ a proxy based on census data to compute this adjustment?

A. Staff requested data from the Company that would enable Staff to directly calculate the number of housing units per residential structure. The

[99] IL Ww Analog LoopCAT 02-05.xls!Premises_Termination_Bus.

Company did not, however, provide Staff with the requested information.[101]

Findings and Recommendations

Q. Please summarize your analysis of the Company's residential premises termination cost estimates and your recommendation with respect to the Company's proposed cost estimates.

A. If the Company cannot provide credible support for its premises termination estimates or cannot adjust these estimates to properly reflect the lowest cost network configuration and most efficient telecommunications technology, I recommend that the residential and business percentages input into the LoopCAT model be revised. I recommend that Percent Residential Premises Termination be set equal to ***XXXXX*** and Percent Business Premises Termination be set equal to ***XXXXX***.

Q. Does this conclude your testimony?

A. Yes.

[100] U.S. Census Bureau, Census 2000 Summary File 3 (SF 3) – Sample Data, H30. UNITS IN STRUCTURE[11] – Universe: Housing Units.
[101] Response to Staff Data Request No. JZ 1.18, attached as Sched. 7.05.